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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/18/2007  
 LAST UPDATED 3/2/2007    HB 740/a HEC

SPONSOR Maestas

SHORT TITLE Lottery Scholarship Application Times    SB \_\_\_\_\_

ANALYST Dearing

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	*(\$0.1)	Recurring	Lottery Scholarship Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY07	FY08	FY09	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		*(\$852.0)	*(\$852.0)	*(\$1,704.0)	Recurring	Lottery Scholarship Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

\*Potential exists that fiscal impact is significantly higher than \$1.7 million over three years; please see narrative.

Relates to Senate Bill (s): 110, 689, 426, 687, and 686

Relates to House Bill (s): 571, 209, 275, and 361

Duplicates Senate Bill 688

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Higher Education Department (HED)

### SUMMARY

#### Synopsis of HEC Amendment

The amendment proposed by the House Education Committee extends the time window of eligibility from the original amendment of 12 months to 16 months. This resolves a technical issue, where as, the original amendment of 12 months would not have accounted for the summer months. According to HED, the original fiscal impact was based on 16 months.

Synopsis of Original Bill

House Bill 740 carries no appropriation. If enacted, House Bill 740 would amend Sections 21-1-4. 3; 21-13-10; and 21-16-10.1 NMSA 1978. House Bill 740 would extend eligibility for the New Mexico Lottery Success Scholarship program such that eligibility for scholarship program would be available for all New Mexico resident high school graduates and those earning general education development certificates (GEDC). Specifically, the time-window of eligibility would increase to 12 months from the current 120 days.

**FISCAL IMPLICATIONS**

\*No appropriation. If enacted, House Bill 740 would extend the amount of time that an applicant retains eligibility to scholarships through the Lottery Success program. Under the current framework, an individual has until the 120<sup>th</sup> day following the attainment of a GEDC or high school graduation date to enter and enroll into a program.

There would be an overall negative recurring impact incurred by the Lottery Tuition Fund. A current projection from the Higher Education department forecasts an additional 322 students would qualify in FY08, decreasing the Lottery Tuition Fund by \$852,100. The forecast is based on an aggregate 2400 New Mexico high school graduates enrolling later than the first post-secondary semester following high school graduation. The department's forecast relies on only 13.4% of these students obtaining a 2.5 GPA in their first college semester to qualify for the Lottery Success Scholarship.

**\*If the actual percentage obtaining a 2.5 G.P.A in their first semester is higher than the department's forecast, an annual negative impact to the Lottery Tuition fund exists of up to \$6.3 million.<sup>1</sup>**

**TECHNICAL**

House Bill 740 amends language throughout Sections 21-1-4.3; 21-16-10.1 and 21-16-10.1 NMSA 1978, clarifying language and making the bill parallel with currently used institution names and terminology.

**RELATIONSHIP**

House Bill 740 relates to:

Senate Bill (s): 110, 689, 426, 686, and 687  
House Bill (s): 571, 209, 275, 361, and 740

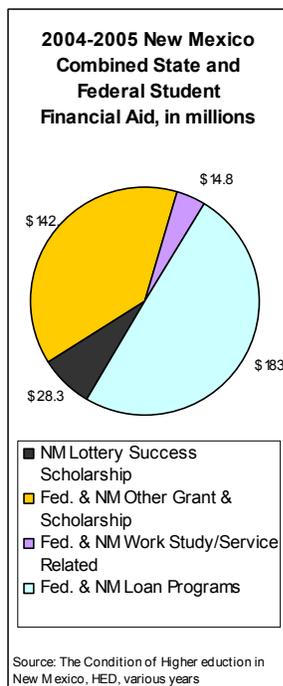
These listed bills create various changes to lottery scholarship eligibility, distributions from the fund, or otherwise change the Lottery Success program framework.

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<sup>1</sup>(322/2400) = 13.4% = \$852 thousand; (((\$852,000/322) \* (2400)) = \$6.3 million.

**ALTERNATIVES, OTHER SIGNIFICANT ISSUES**

In the 2005-2006 academic year, approximately \$36.9 million in Lottery Success scholarship funds were distributed to New Mexico students. Payouts to beneficiaries continue to exceed New Mexico Lottery Authority disbursements to the scholarship fund. Recent projections show fund insolvency around 2012-2013. With overall flat high school graduation rates expected over this period, projected increases in expenditures are primarily based on tuition inflation. State student aid dollars from the lottery program comprise an ever larger component of state spending on higher education, increasing from 38 percent to 42 percent over the 2002-2003 academic year with subsequent reductions in work-study and service aid.



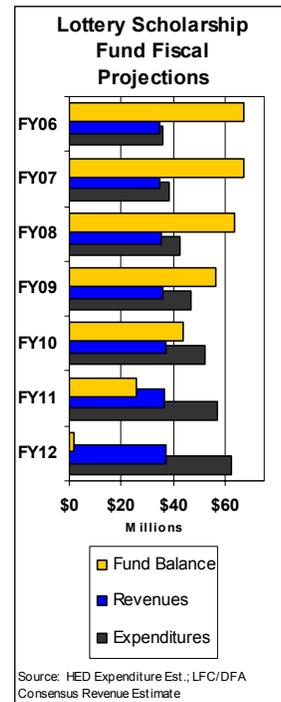
Across the country, merit scholarship programs are undergoing similar solvency issues. Underestimated and rapidly increasing demand for merit scholarships and scarce resources have forced other states to pursue alternatives.

The Lottery program is one component among many available federal and state student financial aid sources. Including federal and other state grants, work-study, and loan programs, the Lottery program comprises just about 7.7 % of available student financial aid in NM.

Students excluded from the Lottery Success Scholarship have the option to apply for other state and federal financial aid programs.

**DUPLICATION**

House Bill 740 duplicates Senate Bill 688



**AMENDMENTS, QUESTIONS**

House Bill 740 does not specify the requirement of a *New Mexico* issued GEDC for applicant eligibility.

PD/mt